

PAMPHLET

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AMPHLET CASE No. 126
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JOSEPH POPE

CANADIAN PACIFIC RAILWAY AGGRESSIONS
UPON AMERICAN COMMERCE.

A LETTER

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ADDRESSED TO Mr. JOSEPH NIMMO, Jr.

—BY—

WM. C. VAN HORNE,

President of the Canadian Pacific Railway,

AND

Mr. NIMMO'S REPLY.

WASHINGTON, D. C.

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**Letter Addressed to Mr. Joseph Nimmo, Jr., by
Wm. C. Van Horne, Esq., President of Canadian
Pacific Railway Company.**

MARCH 27, 1889.

MY DEAR SIR: I assume that in commenting upon the relations and policy of the Canadian Pacific Railway Company you are actuated only by a desire to promote the public good, and I therefore venture to write you to correct some misapprehensions under which you are laboring, if you are quoted correctly in the enclosed clipping from a Chicago newspaper.

The Canadian Pacific Railway Company, although originally subsidized by the Dominion government, has no closer relation to that government than the Baltimore & Ohio Railway has to the Government of the United States.

It borrowed money once or twice from the Dominion government to enable it to complete its work, but the money was paid back with interest.

It is in receipt of no subsidy or assistance from the Dominion government beyond the usual compensation for the carriage of mails, save only an annual payment for a term of years in respect of a line connecting with the Maritime Provinces and which came to the Canadian Pacific by purchase.

The steamships on the Pacific working in connection with the railway have no subsidy whatever from any Government, and do not even get anything for carrying mails.

The "States to States" traffic carried by the Canadian Pacific Railway, that is, business from one section of the United States to another, does not contribute four per cent. to its earnings.

Much of what has appeared in the American press about

the Canadian Pacific Railway for a year or two back has resulted from its having been used as a bugbear by the American lines in opposing the Interstate Commerce Act and in seeking to evade its enforcement.

The frequently published statement that it attacked the other Pacific lines is absolutely untrue. Their difficulties commenced six months before the Canadian Pacific was opened for traffic. The trans-continental rate war was brought about by the withdrawal of the subsidy to the Pacific Mail Steamship Company, that had for a number of years been paid by the rail lines. This occurred in December, 1885, and the Canadian Pacific was not opened for traffic until July, 1886.

The Canadian Pacific Railway was built for cash by those who intended to hold and work it. The amount contributed by the Government towards its construction was, as compared with the vast capital invested, almost insignificant. There were no profits taken out by credit mobiliers or construction companies. No sleeping-car, telegraph, express, or other companies of that kind absorb the profits from its working. Its success is due to the fact that no private interests are fed at the expense of its shareholders and that it has only to pay interest on capital actually invested.

It is a strictly commercial enterprise, depending upon its own resources, and worked, as I believe, on sound business principles.

All of the facts that I have stated may be easily verified, and I have given them to you in order that all you may write may be as infallible as your statistics.

Yours very truly,

W. C. VAN HORNE,

President.

JOSEPH NIMMO, Esq.,

Washington, D. C.

**Mr. Nimmo's Reply to Wm. C. Van Horne, President
of the Canadian Pacific Railway Co.**

1831 F STREET N.W.,
WASHINGTON, D. C., April 12, 1889.

WM. C. VAN HORNE, Esq.,

President of the Canadian Pacific Railway Co.

DEAR SIR: I have the honor to acknowledge the receipt of your letter of the 27th ult. enclosing an article of mine in regard to Canadian Pacific Railway aggressions upon American commerce, which article appeared in the *Chicago Times* of the 18th of March. To the statements made in this article you object. Your letter relates entirely to matters which have commanded my attention in the public discussion of topics of a political nature touching "our Canadian Relationships." I maintain that whenever a man discusses a public question he is morally bound not only to state the facts upon which his argument rests, but also to make known the motives by which he is actuated. Holding myself amenable to this rule, I regard your polite letter as a perfectly proper demand for such a statement.

The political character of the Canadian Pacific Railway is impressed upon my mind by the following facts: The enterprise had its inception in purely political considerations, which were first publicly announced in Canada and in England during the terrible civil war which raged in this country from 1861 to 1865. In 1862 Sir Edward Bulwer Lytton advocated the construction of an inter-oceanic railway across British North America, upon the floor of the British Parliament, "for imperial interests, commercial

and political," and in 1863 the Duke of Newcastle, then a member of the British Cabinet, declared in the House of Lords that such a railway would subserve important ends "in the event of war on the other side of the Atlantic." Sir Edward W. Watkin, at one time president of the Grand Trunk Railway, and for many years a member of the British Parliament, strenuously advocated the scheme in connection with "a line of military posts of strength and magnitude, beginning at Halifax on the Atlantic and ending on the Pacific."

The construction of the Intercolonial and the Canadian Pacific Railways were at the beginning urged mainly upon political grounds, the object had in view being to bring into closer commercial and political relationships the four widely-separated habitable and inhabited blocks of territory composing the Dominion of Canada, viz., the Maritime Provinces, the Provinces of Ontario and Quebec, Manitoba and British Columbia, and in so far as possible to render them independent of trade relations with the United States, with which country they are much more closely related by geographical contiguity than with each other. Those four sections of the Dominion were politically united by the British North American act of July 1, 1867. Lord Lansdowne, late Governor-General of Canada, said in 1885, "Confederation without the railway was not worth the paper upon which the British North American act was written."

As the result of an issue arising in the inauguration of this great political enterprise, Sir John A. McDonald and his party went out of power on the 6th of November, 1873, but on the 16th of October, 1878, they returned to power, and have held the reins of government ever since. The construction of the Canadian Pacific Railway is the crowning act of this forceful administration, whose chief is un-

mistakably the strongest personality in the Dominion of Canada.

Do not these facts clearly prove the political character of the inception of the Canadian Pacific Railway?

And now I turn to the various forms of aid—the subventions and largesses bestowed upon the Canadian Pacific Railway in aid of its construction, which also prove the intense political character of the enterprise from its inception until its completion. The following statement from my report on the internal commerce of the United States for the year 1884, as an officer of the National Government, was prepared from data furnished to me by Mr. Charles Drinkwater, then and now secretary of your Company:

“The Dominion government has granted to the Canadian Pacific Railway, in aid of its construction, a subsidy of \$25,000,000 in money as a loan; and has donated to it 25,000,000 acres of land, embracing only lands fit for settlement; also the right of way, station grounds, dock privileges, and water frontage, in so far as the same are vested in the Government. Besides this the Canadian government is to construct and transfer to the company, free of cost, 714 miles of railway, the value of which is estimated at about \$30,000,000. The company is also authorized to build a line of telegraph along the entire railway, which under its charter it is empowered to use for commercial as well as railway purposes. The privilege is extended to the company of importing free of duty steel rails, and other material used in the construction of its road and telegraph line. It is also empowered to build branch lines, with right of way and other privileges granted by the Government.

“The company is, besides, protected against the construction of competing lines for a term of twenty years from the date of the contract.

“The stations, buildings, equipments, and the capital stock of the company are to be free from taxation by the Dominion government, or by any province established

after the date of the charter, for all time, and the land grant within the Northwest Territories is also declared to be free from taxation for twenty years unless sold in the meantime.

"The capital stock of the company is \$100,000,000, upon which the Dominion government has guaranteed a minimum dividend of 3 per cent. per annum for ten years, the company having placed with the government a sum which at 4 per cent. interest will be equal to the dividend on the stock at 3 per cent. for ten years."

This statement was furnished to me for my official publication, and the facts which it embraces are also published in Canadian official reports.

The actual cost of the 714 miles of railway presented to your Company as a free gift from the Dominion government is stated in your report for 1887 at \$35,000,000.

The land subsidy of 25,000,000 acres at \$1.50 per acre amounts to \$37,500,000. In the year 1886 the government took back 6,793,014 acres of this land at \$1.50, paying for it \$10,189,521.

Your Company, as before stated, was by its charter endowed with extraordinary franchises, giving it a practical monopoly of railroad construction west of Ontario. But the Province of Manitoba revolted at this provision, and in settling the difficulty the Dominion government guaranteed the interest at $3\frac{1}{2}$ per cent. on bonds to the amount of \$15,000,000, payable in fifty years. These bonds presented the attractiveness of investment securities, and, as I understand, in consequence of this government guarantee, became readily available as cash in your treasury. This was simply a payment made to you for the relinquishment of a comparatively small part of your franchises, the gift of the Dominion to you, and as stated on page 19 of your annual report dated May 9, 1888, it furnished your road "the necessary capital required for permanent

improvements, additional rolling-stock, and facilities of all kinds for its rapidly increasing traffic."

In the year 1884 the Dominion government loaned to the Canadian Pacific Railway Company \$22,500,000 to enable it to expedite the construction of its road.

On the 31st of December, 1886, the total amount of the original subsidy of \$25,000,000 had been paid to the Canadian Pacific Railway. (See Annual Report of Minister of Railways and Canals, p. xii.)

Your report submitted in 1887 states that the Dominion government has subsidized that portion of your line extending from your St. Lawrence River Bridge to Mattawamkeog, Maine, a point on the Penobscot River, at the rate of \$186,000 a year. I know of nothing comparable to this in the United States, and I think it is unique as a method of preserving the carrying trade to Canada and her seaports.

It appears from the balance sheet of the Dominion of Canada that the total expenditure by the government on the Canadian Pacific Railway *in cash* to the 30th of June, 1886, was \$60,845,727.94, and that on the 30th of June, 1887, it was \$61,760,785.43. I think I am simply voicing a fact known to every intelligent person in Canada when I say that the increase of the public debt of the Dominion from \$179,433,871.21 in 1879 to \$273,137,620.43 in 1887 was incurred mainly through the extension of financial aid to the Canadian Pacific Railway.

To be able to state with any degree of precision the exact value of the largesses bestowed by the Dominion government upon your Company, including land grant, wharfage facilities, remission of duties, and 714 miles of railroad as a gift, and also to draw nicely the distinction between actual or virtual gifts of money and loans, would involve full powers for the audit of all your accounts and

the appraisement of all your properties. I have not thought it proper for me to attempt to go beyond the printed official statements for my information. From these I conclude that your Company has directly and indirectly realized from the aids afforded it by the Dominion government fully the cost of your road and its equipment, plant, and materials and supplies, which according to your balance sheet for December 31, 1887, amounted in value to \$165,548,810.70. Your total stock, bonded debt and current liabilities on the same day amounted to only \$121,016,029.41.

There is nothing in the history of the world which furnishes a parallel to this subsidizing of a private corporation by a government. The eleven so-called Pacific Railroad companies of the United States received grants of land of which there has been patented 12,700,000 acres, and four of these companies were aided by loans to the total amount of \$64,623,512.60, which is to be repaid to the Government with interest.

The asserted object of the agreement of the 18th of April, 1888, whereby your Company received aid to the amount of \$15,000,000, for the relinquishment of a part of its franchise in the province of Manitoba, was "*to preserve to Canada and its seaports the carrying trade for which the Canadian Pacific Railway was designed and constructed.*" The United States Government has never passed any act, nor appropriated any money, *to preserve to the United States and its seaports the carrying trade for which any particular railroad has been designed and constructed in this country.* We should consider it too narrow a policy in view of the interlacing of territory formed by the crooked border line between Canada and the United States. Without calling up corporate disagreements in which you have been involved, I think your Company has found it too narrow a

policy to subserve the commercial interests of the Dominion.

And now I beg you will not for a moment think that the facts just mentioned have led me to any vengeful or even unfriendly feelings toward the people of Canada or their government. On the contrary, I should be rather grateful to Canada if, following the example which her statesmen have set, the United States should at once inaugurate a policy as highly promotive of our own interests of commerce and transportation as has been adopted by the Dominion government toward Canadian interest. While it is impracticable to have recourse to the same methods, it is clearly evident that we can and ought to adopt measures which shall prevent the deflection of American commerce from American seaports and from American transportation lines on the land and on the sea, by the sheer force of government aid and subsidy.

But there are certain other matters with which your enterprise is more or less closely related, which have produced a degree of irritation on this side of the border line. First among these I would mention your steamer line from Vancouver to China and Japan. The vessels now running there are, I understand, rather antiquated ships, but your last annual report spoke of a grant of £69,000 as having been concluded by her Majesty's Government for "a permanent line of first-class steamers *suitable for service as armed cruisers in case of need*." I am not informed as to the progress made in the construction of these ships. This subsidy of \$300,000 as against our payment of only \$16,750 last year for the carriage of our China and Japan mails looks to us very much like a premium paid by a foreign government for the deflection of our foreign commerce from our own seaports. There is, however, a feature of your Pacific steamer line which excites our special wonder

—that the ships provided for are to be virtually *war ships*, as are all the fast British ships now plying between New York and Great Britain, with armaments conveniently stored in warehouses at the docks of Liverpool and London. It is a rebuke to our national pride that to-day our foreign commerce is actually supporting a foreign war navy more powerful than our entire naval force. I want to see this offset by a policy of protective discrimination in favor of American shipping which shall surely culminate in its restoration to the proud position which it once held upon the seas.

Second. The formidable fortress and naval station which the Canadian and British governments have erected at Esquimault, on Vancouver Island, within sight of the shores of our new-born State of Washington, is regarded in this country as a part of the original scheme, "commercial and military," which embraced the Pacific Railway, and was devised by Canadian and British statesmen during our civil war. I believe the traffic operations of the Canadian Pacific Railway were inaugurated by the carriage of military stores and munitions of war to this fort. The United States, whose disposition toward Canada, as toward all the world, is always pacific, has no military station within a thousand miles of this port. There is another matter connected with the transportation interests of the Dominion which produces constant irritation in this country. I refer to the refusal to grant to our fishing vessels commercial rights in Canadian ports and the right to ship their cargoes "in transit" free of duty across the territory of the Dominion, as Canadian merchandise to the amount of \$40,000,000 is yearly shipped by rail across the territory of the United States free of duty. I would respond at once to these specific refusals of reciprocity by restraints upon British vessels in our ports and by restraints

upon the freedom of Canadian transit across our territory. The attempt of the Canadian government to barter such commercial rights to American fishing vessels in Canadian ports, as are freely enjoyed by all British vessels in our ports, for the privilege of entering fish caught by Canadians free of duty in our ports is one against which, as an American citizen, I most indignantly protest.

The transit trade from one part of the United States to another part of the United States over the "Soo" routes and the routes across the upper portion of Ontario, and the transit trade from one part of the Dominion to another part of the Dominion across the State of Maine stand by themselves. These routes are composed of links in direct lines of transportation and embrace within themselves the elements of reciprocity and of mutual interest; but your line west of Winnipeg to the Pacific is in no sense a link in a direct line from one part of the United States to another part of the United States, and I can see no just reason why it should be allowed to engage in the business of deflecting our internal or our foreign commerce from American vessels, American seaports, or American railroads, especially in view of the fact that the capital with which your road was built was supplied by the gift or the loan of the credit of the Dominion, and that this gives you an overwhelming advantage over the trans-continental railroads of the United States.

Your remark to the effect that the "American lines," by which I presume you mean our transcontinental lines, are seeking to evade the enforcement of the Interstate Commerce Act is evidently the result of misinformation. These lines are, I believe, doing their best to conform to the requirements of that act, and they have recently formed an Association for the purpose of enabling them to do so.

Referring to your statement that the Canadian Pacific has not attacked our Pacific lines, I am afraid the facts are

against you. I made diligent inquiry into this matter about a year ago. When the American transcontinental lines, on the 27th of April, 1887, made a 75 cent rate on sugar from San Francisco to the Missouri river, did you not make a 60 cent rate by means of which you carried sugar from San Francisco *via* Victoria and Winnipeg, and thence over American lines to Omaha, St. Joseph, and Kansas City, and was not this what is commonly known as "railroad war?" I could submit to you several other similar inquiries. But are you not now working under "differential rates" in order to enable you to secure a share of our "States to States" traffic? Again, how is it that about 80 per cent. of our exports of cotton goods from the New England States to China and Japan are going by the way of the Canadian Pacific Railway and your steamer line from Vancouver? At this distance it looks very like the result of a "cut rate," *i. e.*, a "war rate." A few months after the opening of the Canadian Pacific, the Chief Engineer and General Manager of the Government Railways of Canada said exultingly in a report dated Dec. 26, 1887: "Already notes of alarm have been sounded by the American press at the manner in which the Canadian Pacific Railway is cutting into the business of the transcontinental roads of the United States." But all this gives us no new surprise, for from the very beginning the projectors and promoters of that enterprise, in making commercial survey of this country from the Atlantic to the Pacific, were in the habit of using expressions which seemed to say: "Moab is my washpot, over Edom will I cast out my shoe."

In a pamphlet mailed to you to-day I have recounted unfriendly and illiberal acts of the Canadian government toward citizens of the United States, embracing two violations of agreement and a refusal to reciprocate even in a matter of common humanity. From some of these acts the

Canadian government, during the past year, has deemed it expedient to recede.

As stated at the beginning, my public comments upon the Canadian Pacific Railway and its management have been incidental to considerations of a political character. This I have attempted to explain to you. In the exercise of your administrative and ministerial duties you cannot of course be supposed to pay much attention to such considerations. As a railroad executive, you naturally make the best possible use of all the opportunities presented to you, as business men are doing everywhere.

I fear your feelings are touched by an impression that I have cast some reflection upon the credit of your road. Not at all. Your balance sheet certainly makes an excellent showing, and I have two good reasons in mind why it should; one, that your Company has been so highly endowed by the Dominion government; and the other, that your road is ably managed. Mr. Olds, your traffic manager, is the only gentleman connected with your Company whom I know personally. I think the railroad managers on this side of the line regard him as "a foeman worthy of their steel."

And now, my dear sir, I think I have pretty fairly redeemed my pledge to disclose to you my facts and my motives in the discussion of the Canadian Pacific Railway question. I acknowledge my indebtedness to your Secretary, Mr. Drinkwater, and to your Traffic Manager, Mr. Olds, for valuable information and courteous treatment in years past, and desire to thank you for the complimentary terms in which you have been pleased to refer to me personally.

I am, sir, with great respect,

Very truly yours,

JOSEPH NIMMO, JR.